

MEMORANDUM

4880

THE WHITE HOUSE

WASHINGTON

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ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: HENRY A. KISSINGER *K*

SUBJECT: Mr. Lynn's Memo to the President concerning a Foreign Aid Budget Amendment for Zaire - Add-on

State and AID are requesting a 1976 budget amendment to increase economic aid to Zaire and Mr. Lynn has written you an options paper with regard to that request. My recommendation is that you approve the budget amendment (which would provide for a \$14 million supporting assistance budget increase to Zaire) as part of a \$50 million assistance package, including an additional \$15 million in CCC credit and PL 480 Title I, and a \$20 million Ex-Imbank line of credit. We would urge President Mobutu to adopt certain IMF reforms but would provide the \$50 million in aid without conditions.

I believe there are important political and economic elements which support approval of the budget amendment, and have attached for your consideration a memorandum outlining some of these elements (Tab A).

As you know, in the wake of President Mobutu's charges of US Government involvement in a plot against him, I sent Sheldon Vance, our former Ambassador to Zaire, to Kinshasa for discussions with Mobutu aimed at improving our bilateral relations. I have asked Ambassador Vance to return to Zaire to continue those discussions tomorrow, July 18. We hope to convince President Mobutu to accept an IMF stabilization program to deal with his current fiscal problems, and believe we need to inform him of our desire to be of assistance with a \$50 million package as a demonstration of our good faith.

I therefore recommend that in considering Mr. Lynn's memo you approve a \$20 million supporting assistance grant for Zaire as part of a \$50 million US assistance package and that you agree that while Ambassador Vance would urge adoption of an IMF standby, he would be authorized to provide US aid without condition.

Attachment

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MEMORANDUM IN SUPPORT OF SPECIAL ASSISTANCE FOR ZAIRE

US relations with Zaire have been severely strained by the recent charges of US coup plotting and by President Mobutu's disappointment in what he has perceived as our lack of support for his legitimate economic and political concerns. In meetings with President Mobutu in Kinshasa three weeks ago, Ambassador Vance was able to allay Mobutu's apparently real suspicion that we had conspired to obtain his assassination and was able to begin to repair our bilateral relations. Vance will be returning to Kinshasa shortly to continue this effort.

Our economic interests in Zaire are large: access to Zaire's enormous energy and mineral wealth; an existing financial stake of some three quarters of a billion dollars in investment, loans and contracts; and our largest market in black Africa after Nigeria.

Our political interests in Zaire are equally significant, given the country's importance to the stability and ideological orientation of all central Africa and its growing influence in African councils and in the Third World. These factors are recognized by other powers, including the communists who are expanding their presence in Zaire.

Zaire is now experiencing a severe foreign exchange cash-flow problem and needs assistance to see it through until copper prices begin to rise again. If the problem is not cured, and if the cure is not applied soon, there is a high risk of economic breakdown--which would jeopardize our economic interests--followed either by political disorder, in which we would be embroiled, or a sharp swing to the left.

Mobutu has asked us for help. We believe our help would be most effective in the context of an IMF stabilization program, which would provide the policy discipline and the basis for international banking confidence which would assure a successful recovery. We are, therefore, urging Mobutu to turn to the IMF and we intend to continue doing so. We would hope that by

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E.O. 12958, JUL 25

NSC MEMO. 11/2/82, 11/11/82, 11/11/82, 11/11/82

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offering assistance at this time we might induce Mobutu to pursue that course. If, however, Mobutu persists in trying to overcome his financial problems without an IMF program, our failure to offer assistance now could have severely negative, immediate consequences on both our political and economic interests in Zaire and could completely reverse the momentum we have succeeded in creating toward repairing our bilateral relations. These consequences could be even more serious and longlasting if other countries respond to Mobutu's requests for bilateral assistance, as the French and Arabs to a limited extent have already done.

We realize that from a purely economic standpoint it makes sense to insist on an IMF stabilization program. However, we believe the stakes in Zaire are so important that we must be in a position to offer to Zaire assistance even if Mobutu continues to resist the IMF. Accordingly, it is recommended that the President approve amending the AID appropriation request to provide for a \$20 million program loan to Zaire, whether or not Mobutu agrees to an IMF program. In such case it would be our objective to encourage Mobutu to accept as much fiscal discipline and control as possible.

To serve our political and economic interests effectively we believe the total assistance package should be of the order of \$50 million. In addition to an AID program loan, it would comprise about \$15 million in CCC credit and PL 480 Title I, and a \$20 million Eximbank line of credit.

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